

Job Creation in California's Enterprise Zones

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Analysis of California's Enterprise Zones

- **Purpose:** Evaluate the effectiveness of California's Enterprise Zone program
- **Method:** Propensity Score Matching Model
- **Findings:** Enterprise Zones raise employment 1-3% per year
- **Employment Growth (1992-1999):**
 - 22.7% in Enterprise Zones, 342,377 new jobs
 - 14.6% in matched census tracts

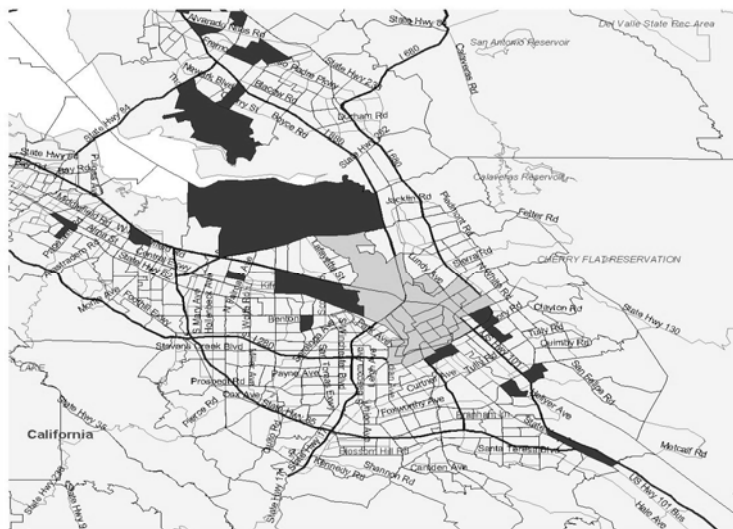
Innovations and Challenges

- **Control Group:** Matching model isolates census tracts most similar to Enterprise Zones
- **Data:** Firm level data allow analysis of small geographic areas and employment at individual firms

Methodology

- Establish a valid control group
- Propensity Score
 - Uses 1990 census tract characteristics to estimate the probability of each tract becoming an Enterprise Zone
- Zones are matched to tracts with the closest propensity score
- Growth in the Enterprise Zone is compared to growth in the matched area

Tracts Matched to San Jose



Tracts Matched to Los Angeles

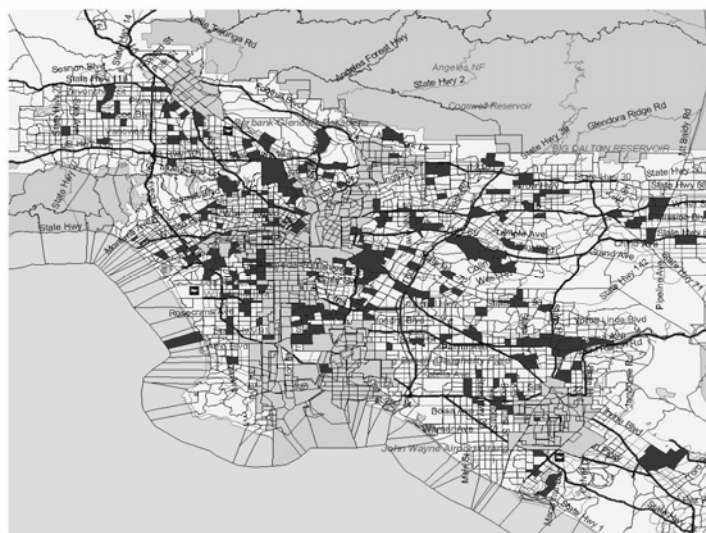


Table 1: Similarity of Zones and Matches

	Enterprise Zone Tracts	Matched Census Tracts	All California Tracts
Median Income	\$26,284	\$25,550	\$38,671
Unemployment	11.1%	9.8%	6.9%
College Grads	13.8%	14.0%	23.5%

Employment Data

- **EDD Data:** Confidential ES 202 unemployment insurance records provide employment and payroll at each firm
- **Geocoding:** Firm addresses are geocoded using ArcView GIS software
- Enterprise Zone status is determined for each firm
- Data are aggregated to the census tract level

Table 2: Growth in Employment, Earnings and Number of Firms between 1992 and 1999.

		1992-1999	Increase
Employment	EZ	22.7%	342,377
	Match	14.6%	58,268
Monthly Earnings	EZ	21.3%	\$273
	Match	26.3%	\$439
Firms	EZ	16.1%	10,979
	Match	21.4%	3,801

Regression Results

Census Tracts

- Zone designation increases employment 1.7% annually
- With Matched Pair Fixed Effects, Enterprise Zones increase employment 2.9% annually
- No significant effect on earnings and number of firms
- EZs are most effective during the first 6 years after designation

Regression Results

Establishments

- Firms observed at least two consecutive years
- Positive significant effect on employment
- 1.1% higher employment at firms located in Enterprise Zones, compared to firms in matched census tracts

Conclusions

- The Enterprise Zone designation raises employment 1-3% each year
- This result is supported by analyses at the census tract level and at the establishment level
- Enterprise Zones do not significantly affect the number of firms or average earnings